# Value for Money 2017

Great homes. Great communities. Great people.

great places HOUSING GROUP

**Great Places Housing Group**
Value for Money 2017



## Overview

Great Places Housing Group understands the importance of getting the best out of our available resources to provide high quality homes and a good customer service – thereby demonstrating value for money. We are a 'profit for purpose' organisation, aiming to maximise our surplus in order to deliver our priorities and our vision of 'Great Homes. Great Communities. Great People.'

Put simply, our philosophy is: the more efficient we are, the more resources we have to: a) build new homes, b) improve our existing homes, c) improve our services and d) fund other key corporate priorities.

2016/17 was a milestone year for the organisation, with our total number of homes standing at nearly 19,000. We also exceeded a £100m turnover for the second year running and achieved a record number of first tranche sales and market sales through our commercial arm, Cube.

Ensuring value for money is an integral part of our overall strategy to deliver our corporate priorities. Our Board monitors progress against the 3-Year Corporate Plan, which ensures we maintain an emphasis on:

- Delivering core objectives
- Becoming a more economic, efficient and effective business
- Openness and transparency
- Reacting swiftly and appropriately to any key challenges we face.

With a clear focus on what matters most, 2016/17 was another successful year for Great Places with achievements including:

1. 625 new homes built and a record-breaking property sales performance.
2. Financial strength preserved – we maintained our turnover and surplus, despite the 1% rent cut.
3. Our best ever arrears performance and record low void-loss.
4. Delivery of cost savings and efficiencies to meet our 'Building Greatness' targets, designed to counteract the four-year rent reduction.
5. Exceeded our targets for nine out of 11 Critical Success Factors.


The sections that follow provide more detail for each of these five themes. Where we have benchmarked our performance, it is with a consistent group of 25 organisations who are similar in terms of size, geography, stock and tenant profile. We have used this group for benchmarking purposes for a number of years.

# Achievement 1: Growth

**625 new**
homes developed

**£900k**
profit achieved by Cube

**97.3%**
overall satisfaction with new home

## Achievement 1: Growth

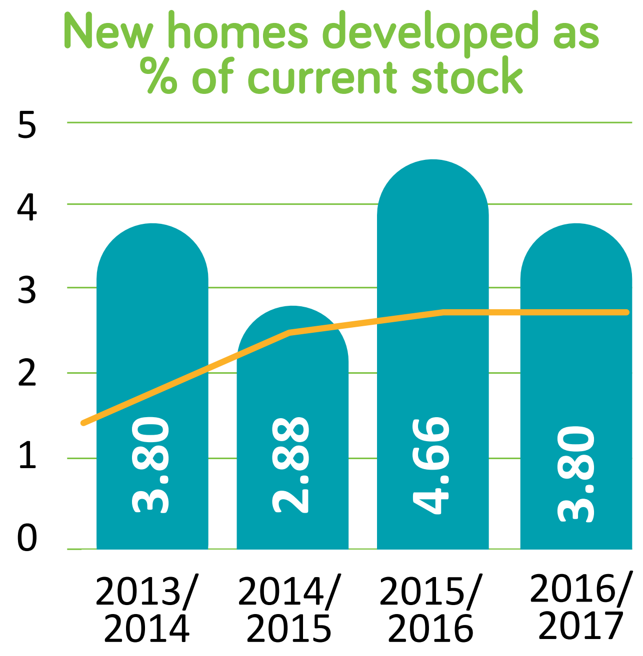
Growth remains a fundamental element of the Group's business strategy, but not growth at any price. Since 2009, our primary growth has been organic through development.

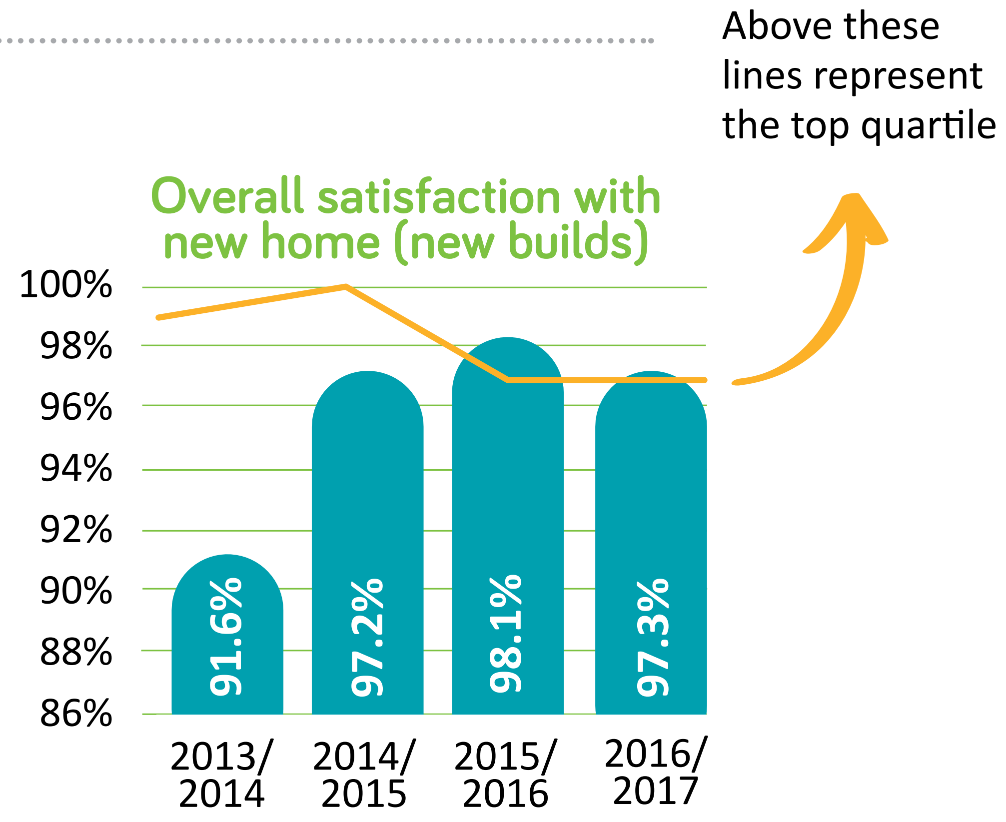
Net growth of over 500 homes in 2016/17 represents an increase in properties owned or managed of 2.7%. A total of 625 new properties were developed (for social and affordable rent, shared ownership, market rent and outright sale) and there were just over 100 disposals.

| | At 31 March 2017 | At 31 March 2016 | At 31 March 2015 | At 31 March 2014 |
|---|---|---|---|---|
| Properties owned | 16,328 | 15,894 | 15,678 | 15,152 |
| Properties managed | 2,636 | 2,571 | 1,893 | 1,709 |
| **Total** | **18,964** | **18,465** | **17,571** | **16,861** |
| Units in development | 341 | 743 | 1,029 | 701 |

The following chart is based on new homes developed as a percentage of our overall stock. For 2016-17, the table is based on 625 new properties as a % of our total properties owned (16,328). This performance is comfortably within the top quartile for our peer group and puts us in the top quartile across the whole sector.

However, it's not just about the numbers, it's also about the quality, and we're happy to report very high levels of consumer satisfaction with our new build homes.



Supported housing remains a key part of the Group's strategy, particularly when local authority budgets are under immense strain. Great Places has already seen significant cuts to the 'Supporting People' budgets – well over 40% over the last six years – and anticipates further cuts moving forwards.

Supported housing is a key part of Great Places' 'profit for purpose' ethos, and the Group dedicates its resources to groups such as those with drug and alcohol dependence, the young homeless and teenage parents.

The early focus of the Group's 'Business Transformation' activities has been on delivering a more effective operating model for our supported housing services, which we now refer to as Independence and Wellbeing, reflecting a move towards reducing unnecessary dependency.

The ability of Plumlife, as a non-charitable registered provider, and Cube, as a non-regulated subsidiary, to deliver growth through market rent and market sales products, is also a key component of Great Places' development activity.

Cube is currently using a £25 million inter-Group funding arrangement to fund its commercial activities, however the company plans to obtain third-party funding for a 92 apartment private rented scheme in Autumn 2018.

During 2016/17, Cube sold 32 properties with £900k profit achieved on £6 million worth of sales – a margin of 15%. An 11-unit scheme is currently on site in Bolton, and Cube has also acquired a site in Gorton, Manchester, which will see construction of 130 new homes for a mixture of tenures.

This was therefore another highly successful year for Cube, with £454k gift aided back to Great Places Housing Association, Cube's charitable parent, and the remaining profit retained within the Cube business.


# Achievement 2: Financial strength

**£109.4m**
turnover

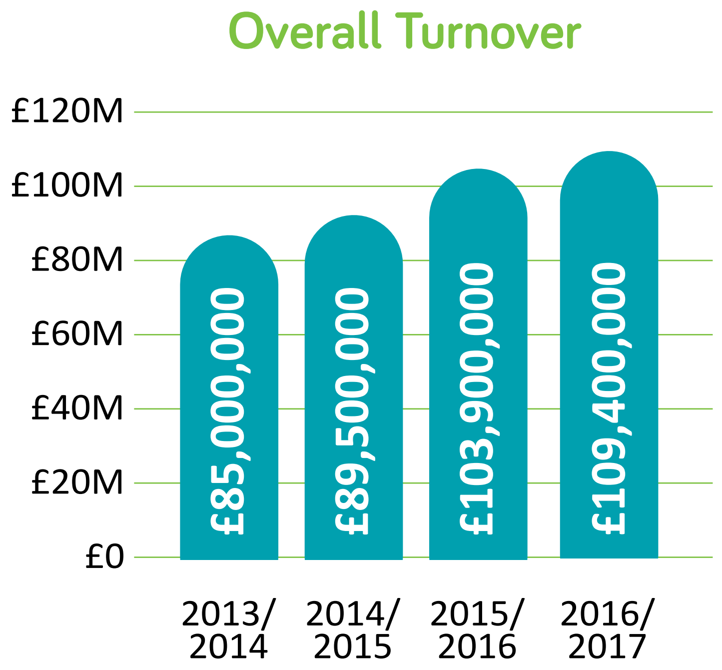
**A2/A+ rated**
by Moody's/Fitch credit agencies

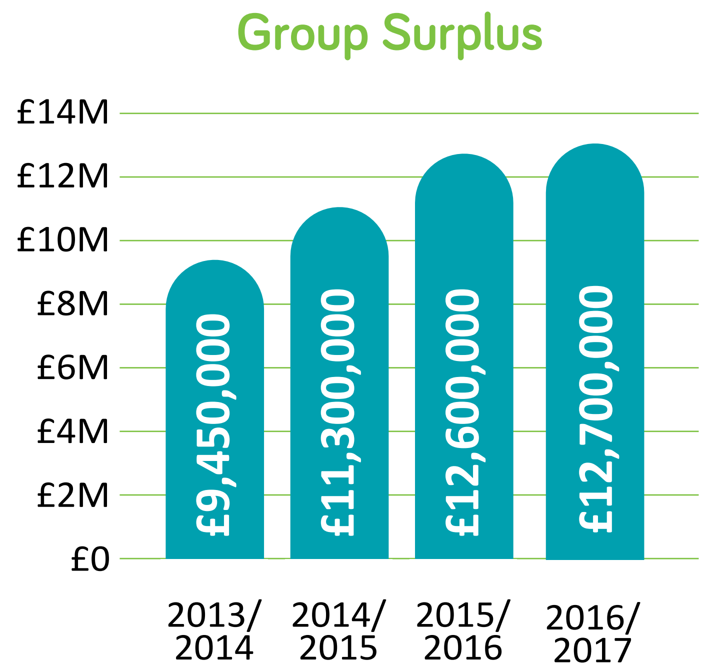
**30%**
operating margin

## Achievement 2: Financial strength

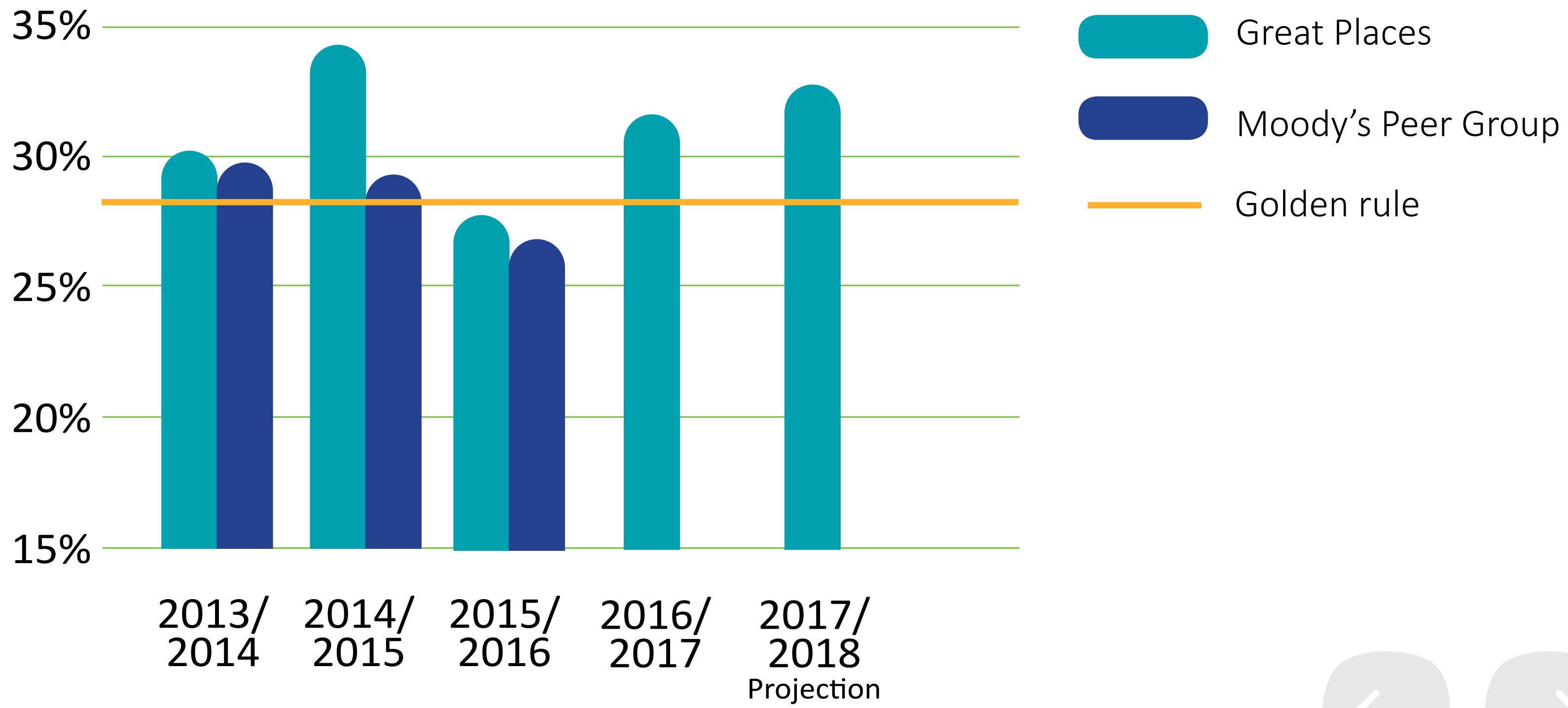
If we compare the increase in turnover and surplus since 2013/14, the surplus increase is 28% while the turnover increase is 22%. This clearly demonstrates improved efficiency and reduced costs. We were pleased to maintain these high levels despite the 1% rent cut in 2016/17.

In February 2017, we were also reconfirmed at an A2 rating by Moody's, meaning we are considered a stable, low-risk organisation. We also remain A+ rated by Fitch. These are particularly notable considering the climate of uncertainty and change.




This graph shows the Group's recent performance on profitability, measured by operating margin. The margin has improved significantly in the last year, moving from below the 'golden rule' line to well above, which is expected to continue into 2017/18. While the operating margin saw a large drop in 2015/16 due to changes in accounting rules and a one-off pension impact, we are now back in excess of 30% and remain ahead of our Moody's peer group.



# Achievement 3: Arrears and void loss

**£59.7m**
rent collected

**22 days**
average re-let time

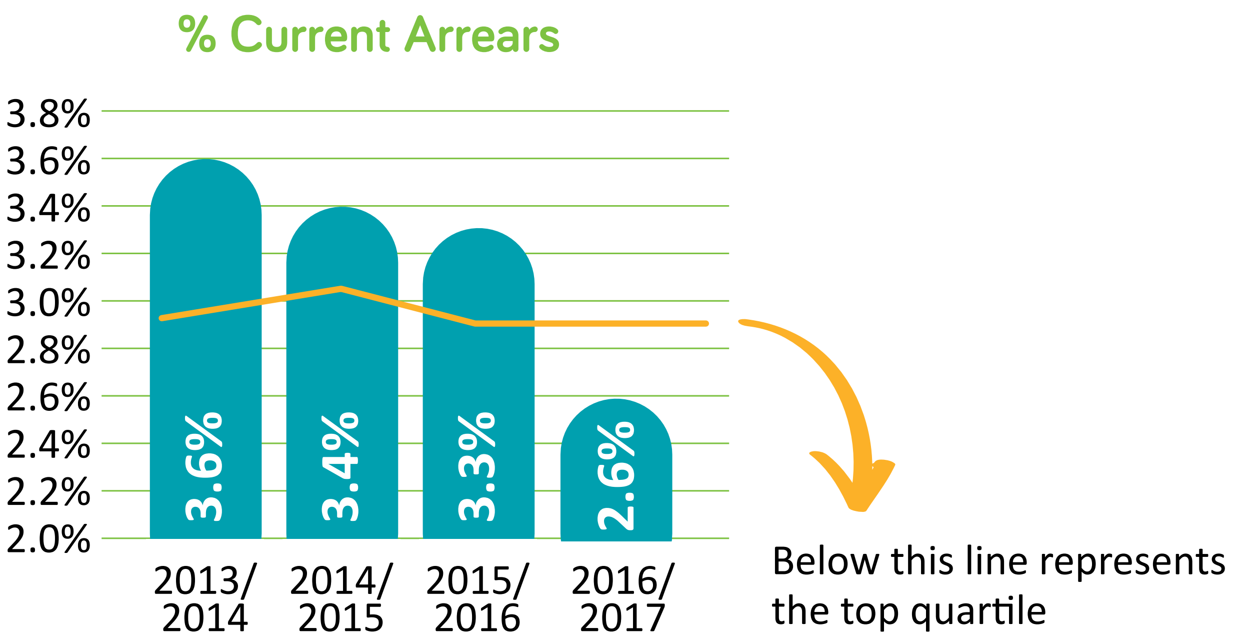
**£350k**
additional rent collected through a decrease in void loss

## Achievement 3: Arrears and void loss

Great Places' arrears performance has improved from 3.3% to 2.6% over the last year.

Despite the 1% rent cut, and allowing for new property and disposals, we collected over £95k more in 2016/17 than we did in 2015/16.

The actual amount of year end arrears has reduced by nearly £500k. This is a significant improvement, which means that over a period of about five years, we have gone from the bottom quartile to the top quartile for arrears performance.

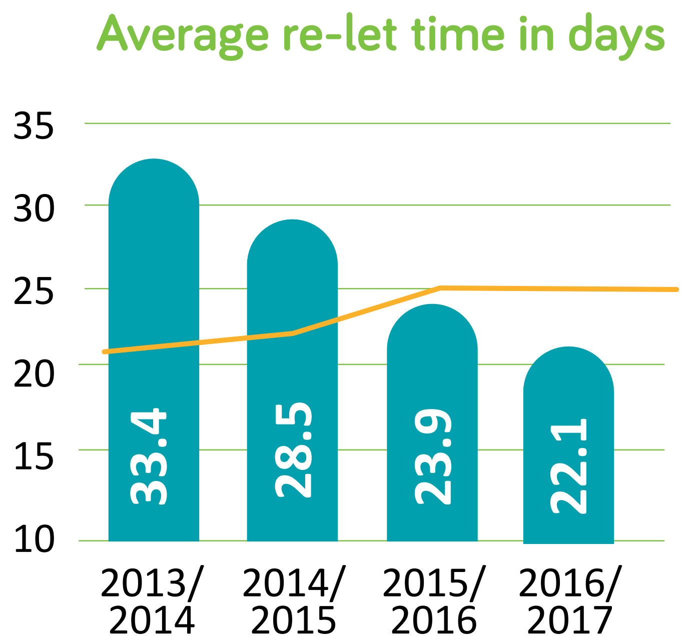


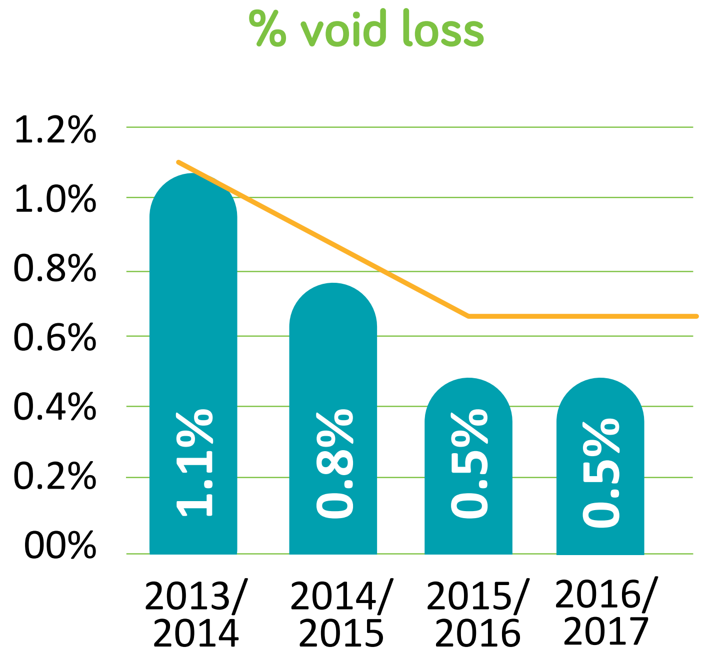

For the fourth year running we have improved our re-let time, and are now well into the top quartile compared to our peer group.

An improvement in re-let times from 33 to 22 days represents £125k of additional rent collectable.

It is also worth noting that while the re-let time has reduced, our tenancy turnover figure has, over the same period of time, also reduced from 9.6% to 7.3%.

Our void loss performance also remains comfortably within the top quartile. An improvement in void loss from 1.1% to 0.5% represents an increase of £350k of rent that we can collect.




Below the yellow lines represents the top quartile

# Achievement 4: Building Greatness

**£2.7m**
expected to be saved in 2017/18

**£500k+ pa**
expected saving through supported housing

**Over £2m**
saved in 2016/17

## Achievement 4: Building Greatness

During 2016/17, Great Places has continued work to embed our vision and values and achieve against our corporate priorities. Together, these provide a clear route map for a successful future, a focus on what matters most, and an emphasis on being a profit for purpose organisation.

Improving value for money is central to this view. It is embedded in our vision ('maximising our investment in sustainable homes'), in our values ('we promote partnerships, efficiency and value for money'), and in our corporate priorities which specifies value for money as an objective.

However, while still seeking to deliver the objectives set out in our corporate plan, significant political and economic changes, including the rent reduction, have meant the Group has been required to thoroughly review its operating processes and cost base.

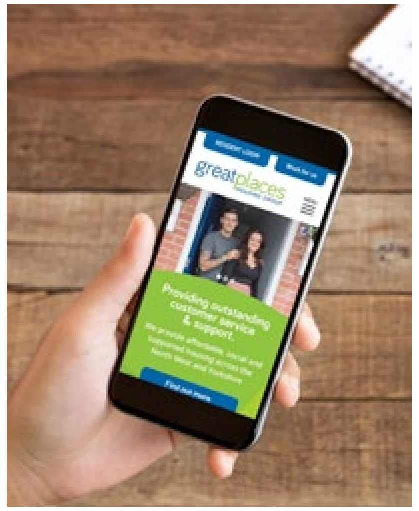
While we continue to see the corporate plan as the route-map to delivering great performance and great customer service, we are now well underway with the delivery of what we call "Building Greatness".

Building Greatness can be defined as: "Our values-led journey of change, to ensure that we are always efficient and effective in delivering our vision."

Building Greatness is our measured and well-considered response to the July 2015 budget, building on the solid foundations that were already delivering step change improvement in repairs and asset management, supported housing and business systems. The outcome was clearly laid out in a revised business plan (produced in October 2015) which demonstrated how the £10 million p/a predicted shortfall in rental income due to the rent reduction would be mitigated.

It comprises seven workstreams which are:

- Business transformation
- Leadership, corporate structure, external engagement and communications
- People
- Investment in systems
- Data and performance
- Procurement and contract management
- Growth

**We remain on target to achieve this with some of the most notable achievements including:**

- The 'Business Transformation' workstream is analysing all aspects of the Group's front line and back office services, seeking to drive out waste, inefficiency, duplication and non value-adding activities.

- We have restructured our executive and leadership teams. A smaller executive team with broader, more strategic portfolios is now supported by an expanded and strengthened team of directors, who focus on the operational running of the business.

- We recognise the challenges of ensuring that we attract and retain a high quality workforce with the right skills and with high levels of engagement. Our 'People' strategy is designed to meet those challenges, and key deliverables in 2017/18 include continuing investment in our 'Leading Greatness' programme, the roll out of a pay progression process, and the introduction of graduate and apprenticeship programmes.

- The 'Investment in Systems' workstream ensures that we fully embrace modern technology, and goes hand in hand with business transformation. During the first half of 2017/18 we will complete the redesign of the Great Places and Plumlife websites, implement new contact centre technology, and introduce a fully agile mobile working solution. This will assist us to move to a more digital service provision, while also retaining alternatives for customers for whom digital is not yet an option.

- The 'Data' work stream is seeking to improve many aspects of our data, including quality, quantity, output, retention and protection. We will also focus on upgrading our protection against cyber threats, enhancing our data analysis and implementing a geographical information system.

- While Great Places is within the top quartile in the HCA units cost data, we are far from complacent and we have developed and recruited to our central procurement team to ensure we continue to be effective in this area. In the last financial year we saved £330k through effective procurement alone.

- The 'Growth' workstream is focusing not only on growth in stock numbers, but also on wider business development opportunities.

- In late 2016 we purchased a new head office close to our existing Southern Gate base in South Manchester. The new office will allow us to relocate the entire Manchester workforce and also the Salford team (over 300 staff in total) into a modern office environment, while also delivering significant cost savings due to the closure of our Salford office.

# Achievement 5: Critical Success Factors

**179**
households into work

**92.3%**
satisfaction with our in-house repairs service

**91.1%**
of stock conditions surveys completed

## Achievement 5: Critical Success Factors

During 2016/17, Great Places focused on 11 Critical Success Factors (CSFs) – key indicators which together give a clear overall picture of the health and performance of the business. They have stayed largely consistent for four years and we can demonstrate improvement in all of them.

| Critical Success Factor | 2015/16 | 2016/17 Minimum Target | 2016/17 Stretch Target | 2016/17 Result |
|---|---|---|---|---|
| Overall satisfaction | 88.3% | 88% | 90% | **86.1%** |
| Repairs satisfaction | 91% | 91% | 93% | **92.3%** |
| Stock condition surveys | 82.3% | 91% | 94% | **91.1%** |
| Average SAP rating | 69.6 | 71.5 | 72.5 | **71.7** |
| Group surplus | £12.7m | £11.41m | £11.41m | **£12.7m** |
| Current arrears including HB | 3.3% | 3.7% | 3.3% | **2.6%** |
| Average re-let time | 23.9 | 24.0 | 22.0 | **22.3** |
| GP completions | 368 | 798 | 498 | **625** |
| G1–V1 ratings | Maintained | Maintained | Maintained | **Maintained** |
| Employee sickness | 7.1 | 7.4 | 6.8 | **8.3** |
| Households into work (% of which are our tenants) | 129 (36%) | 150 (50%) | 180 (50%) | **179 (56%)** |

# Comparisons and benchmarking

**4%**
reduction in maintenance costs

**6%**
decrease in operating costs

**Top**
HCA quartile for 2015/16 unit costs





## Comparisons and benchmarking

Great Places key cost and performance trends are summarised in the following table.

As well as monitoring our absolute costs and our performance, and how these change over time, we also understand the importance of the comparative costs of delivering specific services. We are contributors to a suite of HouseMark benchmarking clubs and our monthly Balanced Scorecard report uses comparative graphs for a range of indicators of costs and performance. These are then used as key drivers for strategic decision-making and to ensure assets are performing well, that we deliver high quality cost-effective services and we are focused on what matters most in seeking improvement.

We have signed up to the Sector Scorecard pilot and are key players in the Vantage Performance Indicator Club as well as the Greater Manchester Providers Performance Group. We recognize that the regulator is keen to develop a set of common metrics which provide a more transparent and comparable sector-wide view of value for money and to move to a greater focus on data.

| VFM highlights | 2013 /2014 | 2014 /2015 | 2015 /2016 | 2016 /2017 |
|---|---|---|---|---|
| **Financial VFM indicators** | | | | |
| Operating cost (excluding cost of sales) per home | £3,268 | £3,188 | £3,488 | £3,267 |
| Management cost per home | £881 | £791 | £871 | £955 |
| Planned and routine maintenance cost per home | £598 | £597 | £584 | £558 |
| Rent void loss per home | £80 | £66 | £48 | £49 |
| **Housing management VFM indicators** | | | | |
| Current rent arrears | 3.6% | 3.4% | 3.3% | 2.6% |
| Relet times - general needs properties (days) | 34 | 28 | 24 | 22 |
| Resident satisfaction - overall | 83.5% | 86.4% | 88.3% | 86.1% |
| Resident satisfaction - repairs | 82.9% | 89.2% | 91.2% | 92.3% |

| Entity | Social Housing Units Managed | Social Housing CPU (£K) | Management CPU (£K) | Service Charge CPU (£K) | Maintenance CPU (£K) | Major Repairs CPU (£K) | Other Social Housing Costs CPU (£K) |
|---|---|---|---|---|---|---|---|
| Great Places HG | 16,996 | 3.06 | 0.94 | 0.25 | 0.63 | 0.86 | 0.38 |
| **Sector Level Data** | | | | | | | |
| Upper Quartile | | 4.39 | 1.24 | 0.58 | 1.18 | 1.10 | 0.51 |
| Median | | 3.55 | 1.02 | 0.37 | 0.98 | 0.81 | 0.26 |
| Lower Quartile | | 3.19 | 0.78 | 0.24 | 0.82 | 0.57 | 0.12 |
| Quartile | | Best | 2nd | 2nd | Best | 3rd | 3rd |

The above table was issued by the HCA in February 2017 and shows Great Places Housing Group as comfortably within the best quartile for 2015/16 unit costs. This clearly shows Great Places as an efficient organisation with costs under control and largely in the best-performing quartiles.

Other key points include:

- We are comparatively big spenders in regards to major works, however this is a priority area linked to improving the quality of our homes.
- The Understanding Unit Costs paper from the HCA identifies supported housing as a key cost driver. With a comparatively high proportion of supported provision within our stock, it would be expected that we should be more expensive than average.
- This is similarly true for areas of deprivation.

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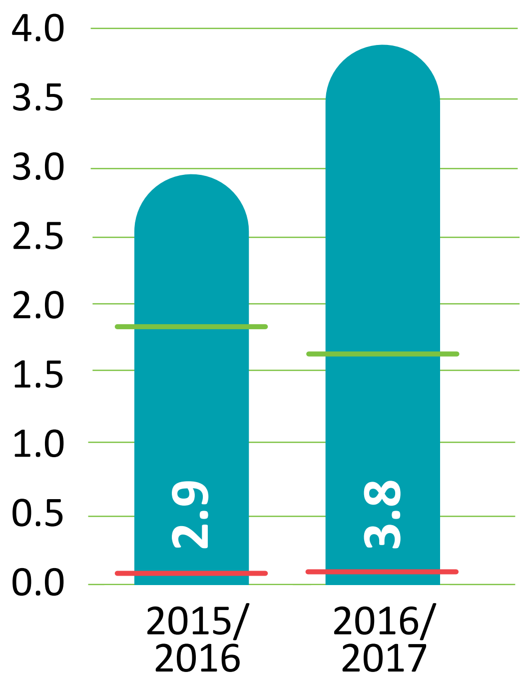
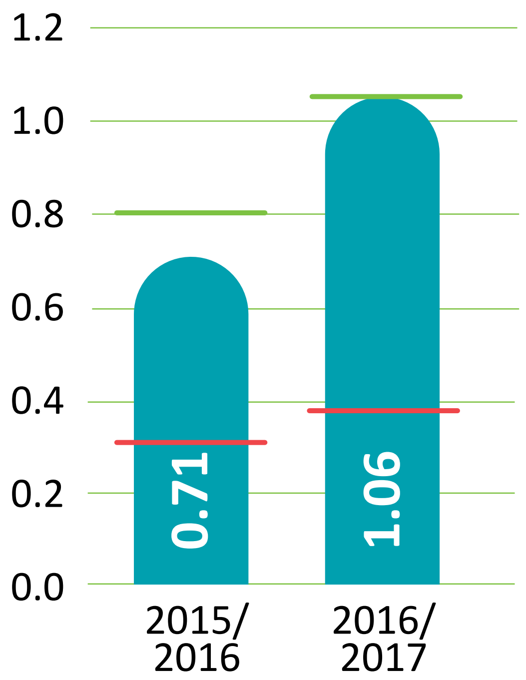
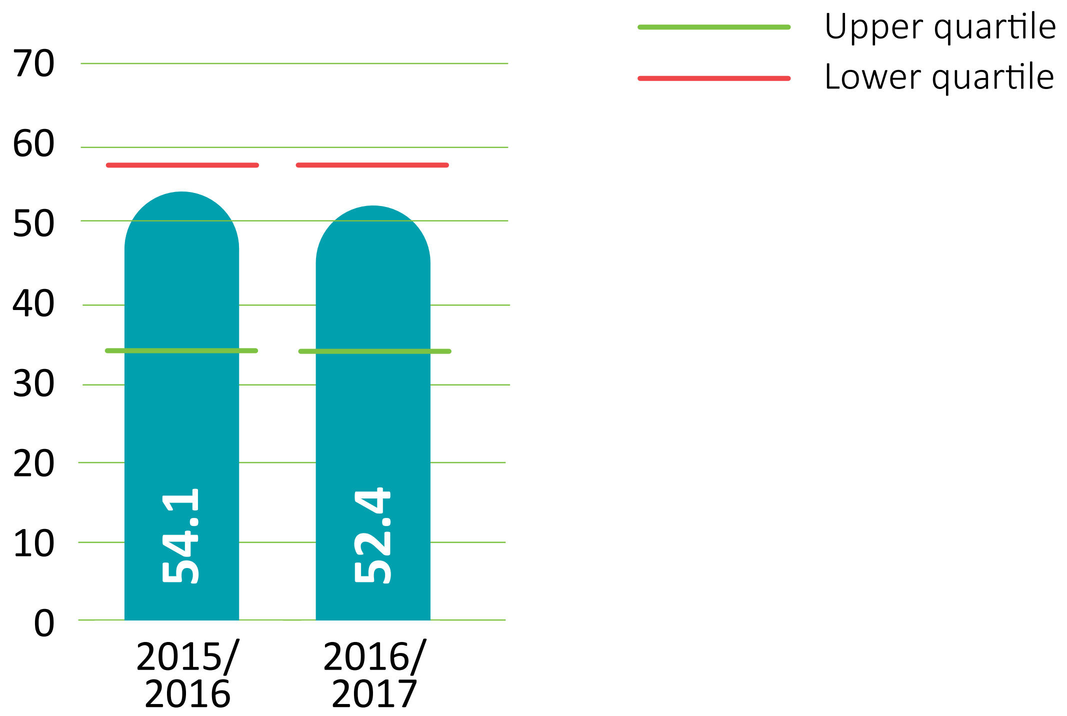
Units developed (as a % of units owned)




£ invested for every £ generated (in new housing supply)




Gearing (%)




## Sector Scorecard

Great Places was keen to be part of the Sector Scorecard pilot scheme and we have now received a report, via HouseMark, which shows our relative performance across a range of value for money and efficiency measures.

Our comparative position in terms of both '£s invested for every £ generated' and 'Units developed as a % of units owned' show the commitment Great Places is making to 'sweating our assets', to meeting our corporate priority of 'Growth', and to addressing the shortfall of housing in the locations in which we operate.

The trade-off, as shown in the 'Gearing' graph, is that the Group's debt in relation to our asset base is relatively high. However, when calculated as defined in our loan agreements, it is still below our financial 'golden rule' and significantly below our funding covenant maximum.

# Embedding a strategic approach to value for money

**£2.3m**
savings generated for customers

**£1m**
savings predicted by March 2018 through a central procurement team

**£347k**
saved through sub-contractor review

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## Embedding a strategic approach to value for money

Having a strategic overarching approach to value for money, and making decisions to ensure we make the best use of the Group's resources, is not new for Great Places. The significant improvement in our financial performance and the quality of our service delivery over recent years is prime evidence of success in this regard. Improving value for money is a sign of good governance in action, a means of achieving corporate objectives, and a key indicator of business effectiveness. Over the past year, the Group has had strategic successes, including the following:

- During 2016-17, the Great Places repairs service undertook a review of its sub-contract expenditure. This appraisal subsequently led to transference of some works to Great Places' in-house team and improvements to the sub-contractor management process and delivered £347k year on year savings to the business.

- In 2015, Great Places made the decision to directly manage its repairs service supply chain and launched its own distribution centre. In 2016/17 this has delivered material cost savings of £147k and supported increases in first time fix rates, increased operative productivity, reduced end to end times and overall customer satisfaction.

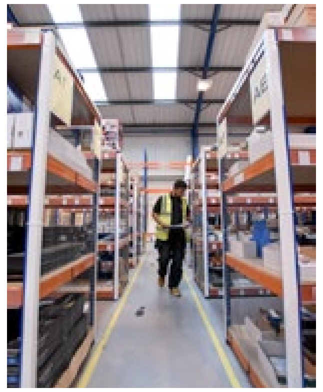
- We have reprocured a number of services, including grounds maintenance and window cleaning, which have resulted in reduced service charges to the benefit of our customers.

- The scope, role and responsibility of our strategic Great Value group continues to be wide-ranging and challenging. The group now has delegated responsibilities to approve procurement up to £2m and takes a more effective approach to challenging whether good contract management is taking place. The group also now considers broader value for money issues beyond the remit of procurement.

- In line with our 'profit for purpose' ethos, we continue to ensure that factors generating social value are maximized, including debt advice, apprenticeships and financial inclusion, with an emphasis on getting our tenants into work. During 2016/17, we generated £2.3 million savings for our customers and delivered 197 households into work, of which 114 were our residents.

- Over the past six months our enhanced central procurement team has generated savings of £137k and has a high profile work plan which shows an anticipated saving of around £1 million over the rest of the current financial year. We have strengthened our approach to contract management to ensure savings are sustained.

Through our strategic approach, value for money is incorporated into all decision-making with an acknowledgement that we cannot deliver our vision and values without delivering value for money. We always seek the optimum of low costs, high performance and high levels of customer satisfaction.



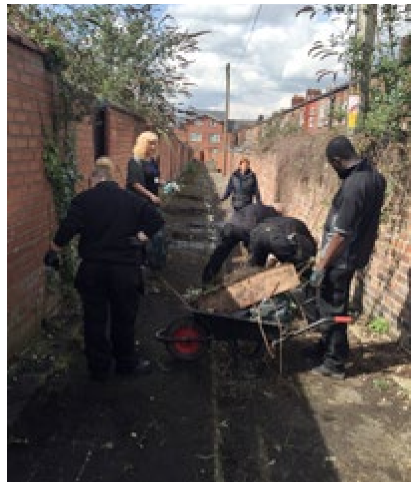


# Protecting our assets

**7.3%**
turnover rate

**58%**
of repairs spend is on planned works

**68**
underperforming properties disposed of



## Protecting our assets

A key driver in increasing our surplus has been a renewed focus on profitability. In addition to the benefits which come from lower interest costs and lower maintenance costs, the Group has several initiatives in place designed to improve our operating margin, including divestment of less profitable business streams, and an asset management-led programme of property disposals, as we have moved from an operational to a more strategic approach to divestment.

We have developed a robust set of tools that allow us to understand the value of every property we own. A comprehensive suite of KPIs, informed by asset information, enables us to report on each property by open market value, book value, existing use value and net present value. By taking into account past and future performance factors such as planned investment works, demand, energy performance and stock isolation, we are able to identify with some accuracy those properties which perform well and those which don't.

These underperforming properties are highlighted through a monitoring matrix and are analysed further to inform whether or not we want to divest. Thresholds are applied to indicators which act as triggers for specific properties, buildings or neighbourhoods. Local neighbourhood teams play a key role in helping us to understand issues at play, particularly feeding in 'softer' or more anecdotal feedback, and identify actions required to deal with poor performance.

We have identified neighbourhoods across all our general needs stock (12,500 managed properties) enabling us to see how each is performing against key local indicators such as arrears, voids, relets, turnover, profitability etc. Through this we know that 2.5% of our stock doesn't achieve our 30 year profitability target.

This approach helps us improve the sustainability of our stock, identify and sell unsustainable and unviable stock, divest less profitable business streams, reinvest sales proceeds in sustainable neighbourhoods, and identify our high value stock so we can decide if and when to make high cash-generative disposals.

The impact and effectiveness of this sustainability toolkit is clear, as three of our top five previous worst performing neighbourhoods have improved across key metrics over the last year, following specific interventions, such as targeted investment or increased focus from our Employment and Skills Team. The remaining two have stayed the same. Equally, during 2016/17, we used the data to dispose of 68 individual properties which performed poorly.

Findings across our neighbourhoods include:

- Our overall tenancy turnover rate is 7.3% but this exercise has highlighted that one scheme in our Salford region has a turnover rate of 36%.
- 14% of our neighbourhoods have an abandonment rate above our current 3.3% average
- The two neighbourhoods with the highest arrears levels, compared to an overall figure of 2.6%, are 10.5% for a neighbourhood in the Blackburn area and 9.6% for a neighbourhood in the Manchester area.
- With an average re-let time of 22 days, the worst 5% of neighbourhoods average 61.9 days.

Other key considerations we use in our approach to assessing our return on investment are:

1. Analysis by business stream – this shows general needs and shared ownership properties produce good returns, but supported housing and keyworker properties less so. Consequential to this information, we have been gradually removing ourselves from the keyworker business.

2. Supported housing comparison – this looks in-depth at contribution, after overheads, for 89 supported schemes, including extra care and sheltered schemes. It provides a clear sense of which schemes make money and which don't.

This then feeds into our supported housing strategy and helps us make decisions such as which schemes to actively bid for and which to look to exit from.

We will continue to do more to better understand our return on assets as measured against our objectives, and to get a better idea of the cost while also considering management 'effort' for each property, as well as external factors such as crime or indices of multiple deprivation.

# Conclusion

2016/17 was a good year for Great Places and there are many figures to substantiate that. It is clear that our vision and values permeate all that we do, and that Great Places is a 'profit for purpose' organisation with a strong commitment to prioritising social impact within our activities. Nowhere is this more evident than in our commitment to building new affordable homes, an activity we will continue to prioritise, as stated in our corporate plan.

Last year, we built 625 new homes and saw an increase in stock of almost 4%. Based on information provided by Inside Housing, this puts us among the top 20 'biggest developers' nationally, one of the top northern developers, and a top performer in terms of new homes built as a proportion of total stock.

In terms of what Great Places manages to achieve from its asset base, we consider that we are delivering exceptional value for money.